
SENATE BILL No. 225

DIGEST OF INTRODUCED BILL

Citations Affected: IC 32-31.

Synopsis: Foreclosure and tenants. Requires the owner of real property containing a rental unit to notify the tenants if a judgment of foreclosure is entered concerning the property, and permits a tenant to terminate a rental agreement if a judgment of foreclosure is entered against the owner. Authorizes a tenant to bring a civil action if the owner does not comply with the notice provisions, and provides that a tenant who terminates a rental agreement early in compliance with the statute does not forfeit the damage deposit. Provides that a tenant in possession of rental premises on the date that ownership is transferred to a mortgagee is permitted to remain in the premises until the earlier of: (1) the date the rental agreement expires; (2) the effective date the rental agreement is terminated; or (3) 60 days, as long as the tenant pays rent and other charges due to the mortgagee. Makes other changes and conforming amendments.

Effective: July 1, 2009.

Lubbers

January 7, 2009, read first time and referred to Committee on Judiciary.

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Introduced

First Regular Session 116th General Assembly (2009)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2008 Regular Session of the General Assembly.

SENATE BILL No. 225

A BILL FOR AN ACT to amend the Indiana Code concerning property.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 32-31-3-13 IS AMENDED TO READ AS
2 FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 13. A security deposit
3 may be used only for the following purposes:

4 (1) To reimburse the landlord for actual damages to the rental unit
5 or any ancillary facility that are not the result of ordinary wear and
6 tear.

7 (2) To pay the landlord for:

8 (A) all rent in arrearage under the rental agreement; and

9 (B) rent due for premature termination of the rental agreement
10 by the tenant. **However, this clause does not apply to a**
11 **rental agreement terminated in accordance with**
12 **IC 32-31-8-7.**

13 (3) To pay for the last payment period of a residential rental
14 agreement if a written agreement between the landlord and the
15 tenant stipulates that the security deposit will serve as the last
16 payment of rent due. **However, if a rental agreement is**
17 **terminated in accordance with IC 32-31-8-7, this subdivision**



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applies only to the prorated rent due, if any.

(4) To reimburse the landlord for utility or sewer charges paid by the landlord that are:

(A) the obligation of the tenant under the rental agreement; and

(B) unpaid by the tenant.

SECTION 2. IC 32-31-8-1, AS AMENDED BY P.L.62-2008, SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 1. (a) Except as provided in **section 7 of this chapter or in** subsection (b), this chapter applies only to dwelling units that are let for rent under a rental agreement entered into after June 30, 2002.

(b) This chapter does not apply to dwelling units that are let for rent with an option to purchase under an agreement entered into before July 1, 2008.

SECTION 3. IC 32-31-8-7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2009]: Sec. 7. (a) **This section applies to rental agreements entered into or renewed after June 30, 2009.**

(b) **This section applies to real property containing one (1) or more rental units that is the subject of a judgment of foreclosure under IC 32-30-10-5.**

(c) **Not later than ten (10) days after the judgment of foreclosure on real property described in subsection (b) is entered, the owner of the real property shall provide each tenant with written notice of:**

(1) the judgment of foreclosure; and

(2) the tenant's rights under this section;

by registered or certified mail.

(d) **A tenant of real property described in subsection (b) has the right to terminate the tenant's rental agreement upon written notice delivered to the landlord. Termination of a rental agreement under this subsection is effective on a date established by the tenant, but not earlier than:**

(1) ten (10) days after the tenant receives the written notice described in subsection (c); or

(2) ten (10) days after the date the judgment of foreclosure is entered, if the tenant does not timely receive the written notice described in subsection (c).

(e) **A tenant who terminates a rental agreement under this section is liable for all rent and other charges due under the rental agreement to the effective date of termination, in an amount that**

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1 is prorated to the effective date of termination. Rent due under this
 2 subsection is payable at the time it would have been payable under
 3 the terms of the rental agreement being terminated.

4 (f) Except for the rent and other charges payable as described
 5 in subsection (e), a tenant who terminates a rental agreement
 6 under this section is not liable for any other rent or charges solely
 7 because of the early termination of the rental agreement.

8 (g) A tenant may bring an action in any court having
 9 jurisdiction to enforce an obligation of an owner or a landlord
 10 under this section, or to obtain a remedy for the owner's
 11 noncompliance. If the tenant prevails in an action brought under
 12 this section, the tenant may recover:

- 13 (1) actual and consequential damages;
- 14 (2) reasonable attorney's fees and court costs; and
- 15 (3) reasonable relocation expenses.

16 (h) A waiver of this chapter by a landlord or current or former
 17 tenant, by contract or otherwise, is void.

18 SECTION 4. IC 32-31-8-8 IS ADDED TO THE INDIANA CODE
 19 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY
 20 1, 2009]: Sec. 8. (a) This section applies to rental agreements
 21 entered into or renewed after June 30, 2009.

22 (b) This section applies to real property containing one (1) or
 23 more rental units that is the subject of a judgment of foreclosure
 24 under IC 32-30-10-5.

25 (c) If a mortgage or lien on residential property has been
 26 foreclosed and there is a tenant in possession on the date absolute
 27 title to the property vests in the mortgagee, lienholder, or successor
 28 in interest under IC 32-29-7-10:

- 29 (1) an action for ejectment under IC 32-30-2; or
- 30 (2) a writ of assistance initiated pursuant to foreclosure under
 31 IC 32-30-10;

32 against the tenant shall be stayed by operation of law until the
 33 expiration date contained in the rental agreement, the effective
 34 termination date of the rental agreement under section 7(d) of this
 35 chapter, or sixty (60) days after the date absolute title vests in the
 36 mortgagee, lienholder, or successor in interest, whichever comes
 37 first. During the stay period described in this subsection, no
 38 summary process action or other action to dispossess a tenant in
 39 possession may be commenced.

40 (d) A tenant in possession is required to pay all rent and other
 41 charges due under the rental agreement to the mortgagee,
 42 lienholder, or successor in interest from the date the absolute title

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1 to the property vests in the mortgagee, lienholder, or successor in
2 interest. Notwithstanding subsection (c), a mortgagee, lienholder,
3 or successor in interest may commence an action to dispossess a
4 tenant if the tenant fails to pay rent or other charges due under the
5 rental agreement.

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